

# FINANCING THE CLIMATE EMERGENCY

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Through the lens of the  
Just Energy Transition  
Partnership

*Parliamentary briefing  
20 October 2022*



# Key issues to be covered in presentation

Presentation gives insights on financing climate emergency through lens of SA's efforts and work around just energy transition



1. Challenges in financing just energy transition
2. Essential financing principles for climate response
3. Example of climate finance mobilisation: Just Energy Transition Partnership
4. Elements of the JET Investment Plan and funding channels
5. Contribution of JET to South Africa's climate response

# South Africa is transitioning in a challenging context



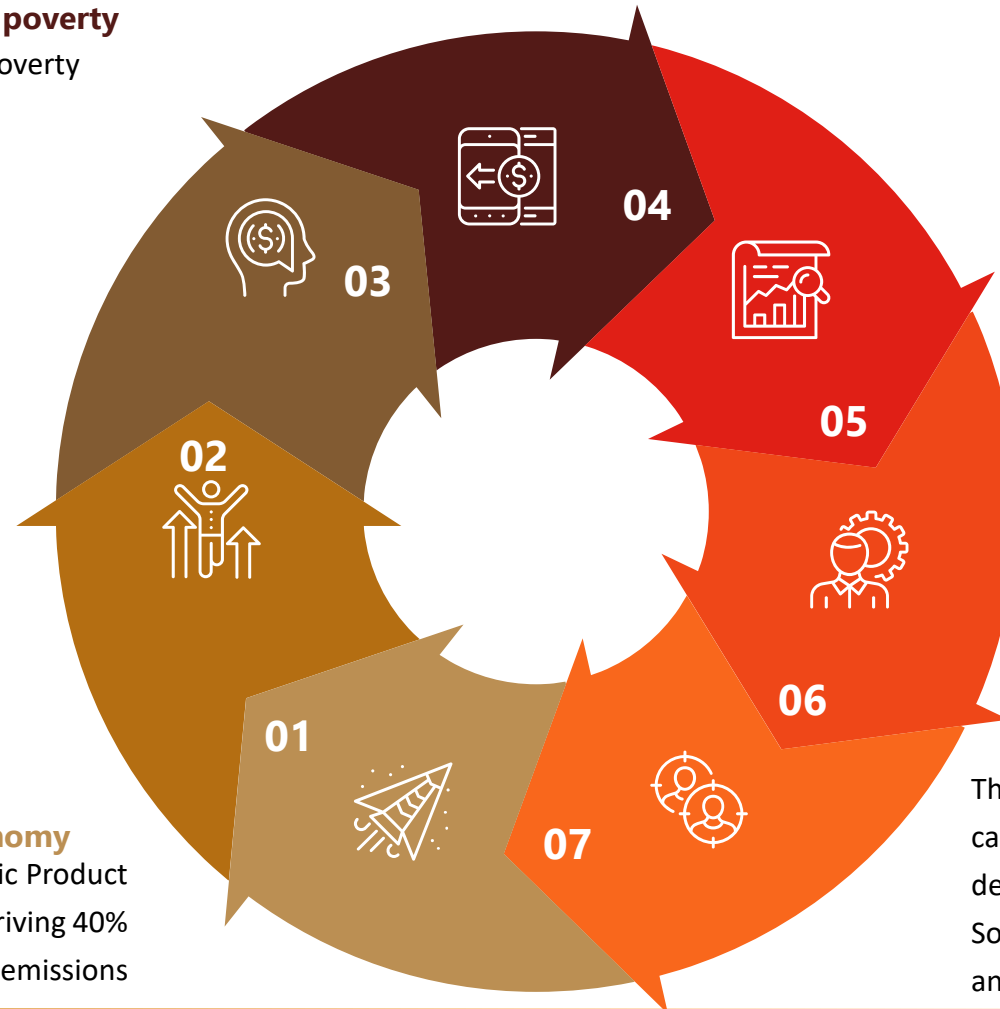
The challenges faced by South Africa, over and above climate risk, are significant and frame the transition challenge

**Extreme levels of poverty**  
55% of people living in poverty

**Untenable levels of unemployment**  
30% of the population unemployed,  
youth unemployed exceeding 65%

**Most unequal country in the world**  
Alongside the highest GINI coefficient, the top 10% of the population owns 86% of the aggregate wealth – transition requires social safety nets to build resilience in vulnerable communities, businesses, and municipalities in coal value chain

**Highly carbon-intensive economy**  
Emitting 0.6kg CO<sub>2</sub> per dollar of Gross Domestic Product (GDP), and the largest carbon emitter in Africa, driving 40% of the continent's total emissions



## The economy is challenged

Growth rates have declined over the last decade, post-Covid recovery is constrained by insecure electricity supply (amongst others), and optimal debt-to-GDP is under strain

## Vulnerable to physical climate risk

Global warming and its effects will proceed twice as fast on the African continent, with rapid desertification, bush encroachment, extreme seaboard storms, and more frequent and intense fires and floods

## Vulnerable to transition risk


The country's trade systems are vulnerable due to the degree of carbon embedded in its commodities and products. Rapidly decarbonising trading partners, directly affects demand for South African commodities, impacting the balance of payments and competitiveness





# Financing principles


Financing South Africa's JET must be done in the context of our country's fiscal realities and development priorities and uphold development and climate finance "asks" by developing countries


## FINANCING SHOULD...


-  **1 follow UNFCCC principles**


Finance should follow the principles for support to developing countries established under the UNFCCC whereby developed countries commit to provide finance to developing countries to advance their climate response
-  **2 be additional**


Finance should be additional to existing climate and development commitments, and not divert critical development assistance away from existing development funding.
-  **3 reflect South Africa's unique needs**


The composition of financing instruments should reflect South Africa's unique needs as reflected in the JET IP, taking account of the need for fiscal sustainability, and incorporate appropriate risk-sharing arrangements.
-  **4 mainstream the 'just' component**

Financing of the just transition components should be mainstreamed into the design of all JET IP projects and programmes
-  **5 be on attractive terms vs. capital markets**

Any debt-related terms for the sovereign should be more attractive than South Africa's National Treasury could secure in the capital markets without unduly onerous reporting requirements.
-  **6 predictable and certain**

Finance flows from partner countries should be predictable and certain, to avoid delays and enable a sustained momentum of the broader investment plan.
-  **7 be channeled through most effective institutions**

Finance flows should be channeled through the institutions which are best placed to manage them for the intended outcomes and in the most cost-efficient manner.
-  **8 foster risk sharing**

Partnerships with the private sector should be supported to foster appropriate risk sharing arrangements
-  **9 be properly governed**

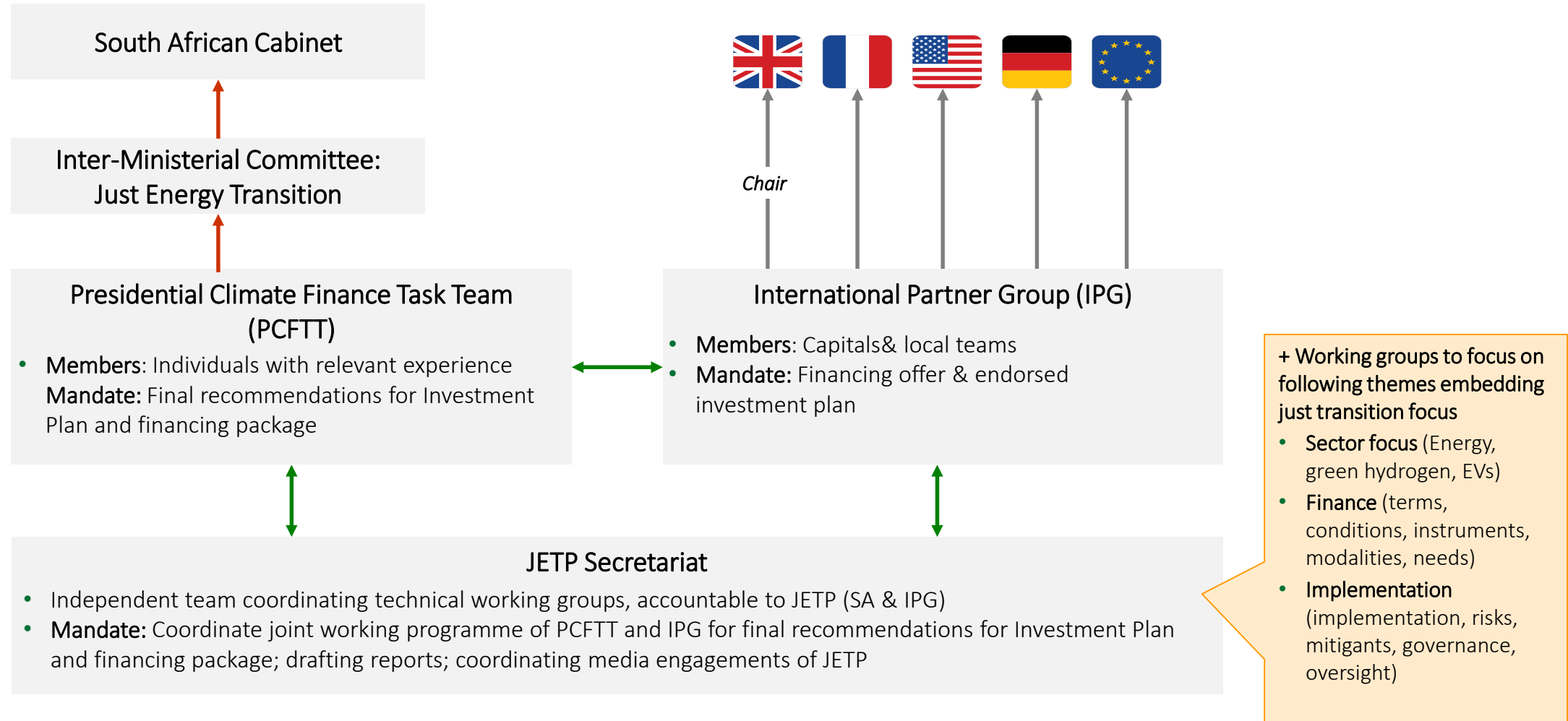
Governance and safeguards must be in place to manage risks.





# Example of financing mobilisation: Just Energy Transition Partnership

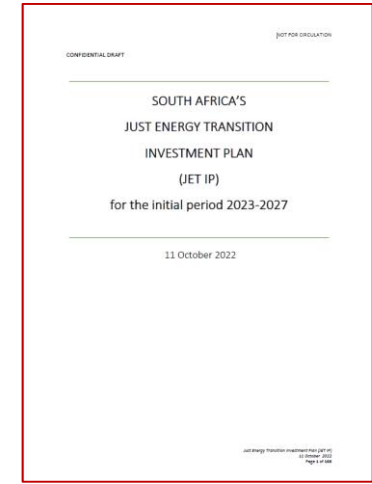
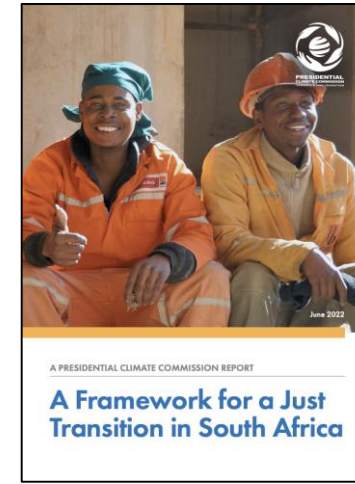
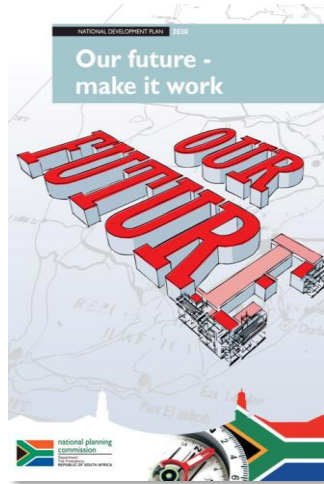
\$8.5bn offer from 5 countries to support South Africa's ambitious NDCs targets, and enable just transition, subject to concurrence on an investment framework (the JET IP). Governed through precise structures.



# Cumulative process from NDP towards the JET IP



The Investment Plan builds on long-term development ambition for low carbon economy, & more recently, the Just Transition Framework



National Development Plan (NDP) with its focus on tackling the country's systemic challenges of **poverty, inequality, and unemployment**;

The updated NDC commits South Africa to an ambitious carbon reduction target range by 2030.

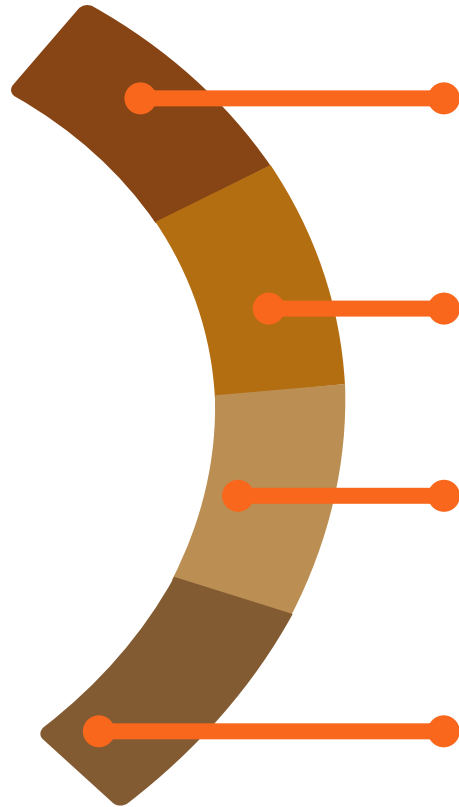
The Political Declaration envisaged, **subject to the concurrence on an investment framework**, the IPG to mobilize an initial US\$8.5 billion over three- to five years.

South Africa is developing its initial **Just Energy Transition Investment Plan (JET IP) 2023-2027**, setting out the scale of need and the investments required to contribute towards its decarbonisation commitments. It is **built on the principles of the Just Transition Framework of procedural, distributive and restorative justice**.



# Development ethos

Based on country-owned, country-led, existing knowledge base and policies as well as consultative processes drawing on South African expertise and key stakeholders



## JETP-IP is derived from existing research (*June to July 2022*)

There is an exhaustive body of work and a wide range of actors in the country who are engaged on the relevant topics. The JETP-IP **draws on these bodies of knowledge and policies including the NDP and PCC’s Just Transition Framework** as well as insight through ongoing desk research, strategic engagements, and public consultations

## Expert Reviews (*August to Sept 2022*)

The draft JETP-IP is currently being subjected to further **scrutiny and analysis by experts** in the respective fields and will be amended to include these inputs, **including through these Working Groups.**

## Public Consultations (*August to Sept 2022*)

A public consultation process with **labour, youth, business, civil society, local government and faith-based organisations** is also underway, facilitated for the PCFTT by the PCC, and contributions made during these engagements will be addressed in the finalisation of the IP.

## Cabinet Approval (*Aiming for October 2022*)

The JETP-IP will be recommended by the PCFTT for approval by the South African Cabinet and for endorsement by the IPG, with the **aim for announcement at COP 27 in November 2022**



# JET Investment Plan

## Priority Sector Portfolio: Electricity, New Energy Vehicles (NEV) and Green Hydrogen

### Investment requirements

#### Electricity



Electricity sector to receive majority of funding  
Single biggest contributor to South Africa's carbon emissions  
Significant investment into Just Transition initiatives

#### NEVs



The NEV and Transport sectors to transition to remain globally competitive  
Supports ~500k jobs, is a major contributor to SA's GDP and balance of payments

#### Green Hydrogen



The GH<sub>2</sub> sector is still nascent, but substantial investment in infrastructure and feasibility studies required to drive long-term economic growth

### THE KEY INVESTMENTS INCLUDE:

- **Electricity:**  
Primarily focused on Eskom: decommissioning, expanding and strengthening transmission grid and distribution, new renewable energy and Just Transition needs
- **NEVs:** Investment focused on transitioning the automotive sector and supporting the supply change
- **GH<sub>2</sub>:** Investment focus on incubating local ecosystems, critical planning, and feasibilities plus skills development. Significant investment required for port infrastructure.
- **Cross-cutting:** Investment in skills development and municipalities

The required portfolio of investment is designed to contribute to long term economic, social and environmental outcomes through an intersectoral and people-focused approach





# Just transition: goals and investment focus

Without active intervention, coal-dependent and other regions will suffer as SA responds to national and international shifts away from fossil fuels and carbon-intensive products

## JUST TRANSITION GOALS



## JUST-FOCUSED INVESTMENTS EMBEDDED IN EACH SECTORAL PLAN

### GROW



New employment opportunities,  
Economic growth and stability

### ALLEVIATE



Improve energy access/ energy poverty levels  
Distributive investments

### PROTECT



Direct investment in communities reliant on the coal  
value chain

#### Safety nets focused on:

- Social protection
- Human resource and **skills** development
- **Industrial** development
- Economic **diversification** and **innovation**

### Electricity



- Energy poverty/ affordable access
- Localised impact in deeply affected areas: community and worker support
- Municipal models and readiness
- Smart infrastructure planning

- Economic Growth and investment
- Green Sustainable Manufacturing
- Enhanced public transport
- Job protection and reskilling

### Transport/ EVs



- Build out low carbon opportunities
- Skills development and localisation
- Port development and upgrading

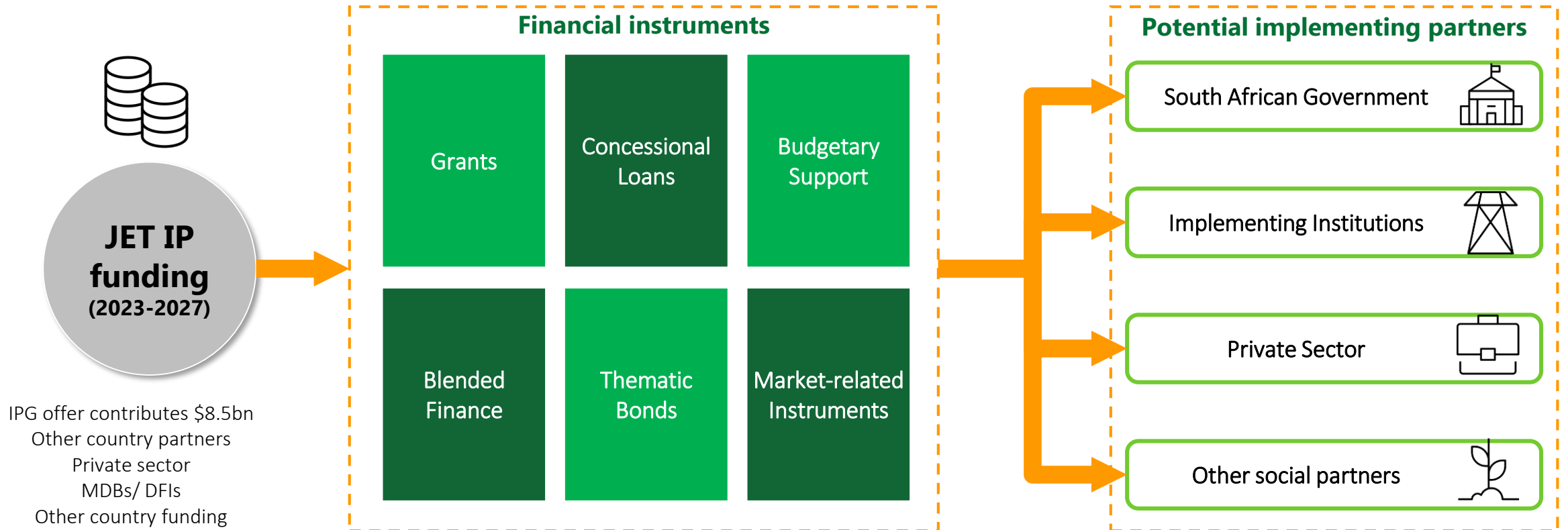
### Green Hydrogen





# Funding instruments and channels

Finance structuring should respond to the environmental, social, economic outcomes in support of the JET goals and objectives, and appropriate funding channels and implementing partners



# Next Steps



The IPG offer and the drafting of the JET IP is the first step in the journey with the critical stage of implementation and execution to follow



## Approval and launch

- The JET IP was developed through a country-owned, country-led, and country specific engagement process.
- The JET IP was approved by Cabinet on 19<sup>th</sup> October 2022.
- Further details to follow regarding consultations and release and communications around COP27.



## Implementation and financing

1. **Priority sectors implementing entities:** to assess capability and institutional needs of possible implementing entities
2. **JET IP overall progress:** to assess progress against long term outcomes and mitigants, governance and oversight at political level
3. **Monitoring and evaluation:** to define metrics that track progress at priority sector level and across JET IP
4. **Access to finance:** to locate further finance facilities for JET IP outcomes, reporting needs and immediate financing arrangements for critical projects
5. **Governance and accountability:** to implement mechanisms to ensure political leadership and accountability and align their respective mandates
6. **Ongoing engagements:** to define mechanisms for ongoing engagement with social partners

# The JETP contribution to financing SA climate emergency

Builds resilience to climate risks, enables new development growth path and



- **Contributes to building resilience to serious climate risks** South Africa is facing in shifting from high carbon economy to net zero by 2050 – assuming a phased approach that is robust and embeds broader development responses to poverty, inequality, unemployment and economic exclusion.
- The JET IP promotes a **‘whole of society’ approach**, involving all sectors of society and all social partners.
- JET IP recognises that **fossil fuel dependent countries require significant support to transition** - aligns with developed country obligations to developing countries under the Paris Climate Agreement.
- JET IP represents one of first country-level **needs-driven approach**, financing principles and preferred terms and conditions that support SA
- **Portfolio of investments and other interventions** in the JET IP reflect intersectoral and just transition approach, showing need to move beyond a project-by-project funding track
- **Embeds just transition** into portfolio, and highlights importance of sequencing / order of investment to achieve environmental, social and economic outcomes
- **Evolving, dynamic and iterative engagement** and call to action for other funding and social partners



THE PRESIDENCY  
REPUBLIC OF SOUTH AFRICA